

# **USAID/ ROMANIA**

## **FY 2002 Annual Report**

March 4, 2002

## **Please Note:**

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## **Part III: Performance Narrative**

### **A. Challenges**

For the first time since 1995, Romania's economy experienced growth in 2000 of 1.6 percent. For the first three quarters of the calendar year 2001 the GDP increased by 5.1 percent and is forecasted to continue at close to 4 percent during 2002. It is a most welcome sign. The 2001 Regular Report on Romania's Progress toward Accession, released on November 13<sup>th</sup>, 2001 by the Commission of the European Communities, notes that there is a growing consensus about the ultimate objectives of economic policy. The GOR's commitment to structural reform and macroeconomic stabilization was reaffirmed by concluding a new IMF program at the end of October 2001. Romania has made some progress towards macroeconomic stabilization: growth has resumed and exports have increased. The government is acutely aware of the need to implement the program agreed with the IMF and the EU pre-accession economic program. According to the World Bank's 2001 Report on Economic Prospects, sustained economic recovery will depend on the GOR's ability to implement a coherent set of economic reforms. Over the long-term, lasting economic reform will rest with improving the overall investment climate to spur private sector growth. Structural reforms have been re-launched, most notably in the area of privatization, and energy price adjustments. The major privatizations that took place last year (Banca Agricola and SIDEX metallurgical mill) demonstrate a new possible GOR commitment toward the establishment of a functioning market economy.

The latest EU regular report on Romania's progress toward accession notes that Romania has made progress in further consolidating and deepening the stability of its institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities. Over the past year some further positive developments have been noted. The reform of judicial procedures has continued and effective implementation of new legislation on public procurement should play an important role in the fight against corruption – although corruption remains a serious problem that is largely unresolved.

Despite significant advances in decentralization and the administration of free and fair elections, Romania still has significant problems in democratic governance, especially in the area of rule of law. A USAID-financed assessment of democracy and governance issues performed during the summer of 2001, revealed that the system of governance still suffers from institutional weaknesses, especially in the parliament and the judiciary. There is a general lack of accountability by politicians, an absence of effective oversight to provide accountability, and few channels for popular pressures to influence institutional and professional conduct.

Poverty and income inequalities have increased in Romania during the past decade of transition. Most efforts to compare income show Romanians increasingly worse off. A recent World Bank study found that approximately 45 percent of the population fell below the poverty threshold defined as \$4.30 per day. The burdens of poverty impact most heavily on rural households, female-headed families, and children. These groups are disproportionately at risk.

### **B. Program Performance**

#### **186-0130: Development and Growth of Private Enterprises**

This SO met the planned targets during the past fiscal year as micro, small and medium enterprises (MSMEs) and agribusiness development activities achieved notable successes.

USAID programs targeted private enterprise growth. Activities concentrated on supporting MSMEs and agribusiness development through increased access to credit, improving legal and regulatory reforms to enable a business friendly environment in order to stimulate foreign direct investment.

The Mission's programs have created new business support organizations and strengthened existing ones. In agriculture, assistance to both the millers' and meat processors' associations has created financially sustainable organizations. Moreover, technical assistance has improved the capacity of dairy and poultry associations to provide policy advocacy and services to their members.

### Achievements

Although the National Commission for Statistics has not yet published the statistics on private sector contribution to GDP, all available reports estimate positive trends during 2001. USAID assistance systematically focussed on improving the business environment to ensure sustainable private sector growth and its contribution to Romania's GDP.

Tangible improvements were achieved in the areas of legal and institutional reforms such as simplification of ministry licensing/ approval procedures and establishment of a one-stop shop for business registration. Local bureaucracy was streamlined through a competitive grant program that accepted 29 Romanian cities based on the determination of local authorities to eliminate redundant or costly regulations that impede economic development. With USAID assistance, legislation was introduced to address accountability and transparency of local administration. This local success provided a model that will be extended to the national level supported by USAID's programs in the democratic and local government sector. In agriculture, successful results of USAID assistance include passage of enabling legislation for warehouse receipts based credit systems and design of an indemnity fund to attract private lenders to serve the rural and agricultural sector. Other policy change and implementation achievements include initiating a standardized international grading system for grains that results in increased trade, improved quality of collateral for agricultural lending and increased food and feed quality. In the area of water resource management, USAID assistance was documented as part of World Bank Aid memoirs that provide the conditions for privatizing the on farm irrigation system and formation of private water user associations organized to rebuild commercial agriculture.

USAID programs resulted in increased capital investment in private enterprises, exceeding planned targets and serving to create or sustain over 3,800 new jobs. USAID's assistance towards MSMEs increased private enterprises access to finance. Through the Romanian American Enterprise Fund (RAEF) Major Transaction Program and the Small Business Investment Program, \$5.278 million was invested over the past fiscal year. Additionally, \$5.650 million was lent under the Small Loan Program and the Micro Loan Program over the same timeframe. RAEF generated considerable private financing for private sector growth by leveraging the privatization of Banca Agricola and selling its SME loan portfolio to private banks. Over the past fiscal year, with support from USAID, four new community financial institutions were established. These institutions will provide MSMEs with an alternative to the banking sector. USAID assistance helped establish prudential financial management and operational procedures for a number of selected credit unions, which resulted in \$12.1 million population savings secured, and \$11.5 million lending. USAID-focussed efforts towards improving MSMEs financing proved to be very successful. According to an E&E funded evaluation looking at MSMEs' growth over a three-year period found that employment in USAID-assisted firms grew on average by 20 percent while in all other Romanian firms employment contracted by 4 percent.

USAID's programs created and strengthened sustainable business support organizations (BSOs). These associations carried out advocacy work and lobby campaigns to improve the business environment. A total of 23 BSOs initiated advocacy programs and another 30 BSOs began building up sustainable capacity to assist their members in product quality and international marketing performance. USAID-financed agribusiness programs created new business associations in the viticulture and forestry sectors. The forestry owners association has advocated strongly for land restitution and efficient units for production.

Direct beneficiaries of the Strategic Objective achievements are small and medium business owners, private entrepreneurs, business support groups and their members, producers and processor associations and agribusinesses, comprising over 45% of Romania's workforce. Indirect beneficiaries are the Romanian people who benefit from economic growth, increased trade and investment in Romania.

## **SO 186-0140: A More Competitive and Market-responsive Financial Sector**

This SO met planned targets during the reporting year. The Mission applied limited funding across a broad array of functional sectors, in order to achieve a harmonized, multi-vectored approach to stimulate change. Highlights of this include USAID's banking supervision program, privatization work with the Authority for Privatization and Management of State Ownership (APAPS), pension and insurance reform work, Department of Treasury-led intervention at the Ministry of Finance with respect to tax and debt management and financial markets restructuring program.

### Achievements

The USAID-supported banking supervision program further strengthened the ability of the National Bank of Romania (BNR) ability to conduct on-site and off-site examinations of state and private banks. This enabled it to address problem banks like Creditbank, Bancoop, Banca Turco-Romana, as well as to flag banking problems before they widely affected the banking sector (Banca Romana de Scont, Banca de Investitii si Dezvoltare). Improvement of transparency in the publication of aggregate banking statistical information was achieved. The progression of transferring bank ownership to private hands improved, the privatization of Banca Agricola serving as an example. Full institutionalization of best banking practices is the main accomplishment as this project completes in mid FY 2002.

Two high-level conferences and a widely acclaimed report on Corporate Governance in Romania, all funded by USAID, helped focus market participants and the GOR on improved Corporate Governance in Romania. Senior GOR officials publicly started on-going commitment to, and support of, the conclusions reached in the USAID-sponsored report.

USAID-financed assistance provided advanced training seminars on key actuarial and insurance issues, thereby strengthening the insurance sector. In the pension sector, consensus building with respect to passing a private pension system Emergency-Ordinance as well as strategic planning to implement the universal pension system was achieved. Key advances were made at the BNR in Deposit Guarantee Fund Development and structuring terms of reference for an Electronic Payments System. Both the banking and the pension systems benefited directly from focused USAID intervention.

The Romanian Competition Council, with long-term on-site technical advisors from Department of Justice/Federal Trade Commission, continued to make market reliant decisions consistent with competition policies and competitive markets. This encouraged the development of competitive economic markets in Romania, and helped create an environment of consistent, equitable and predictable application of the competition law. This program was phased out after a successful six-year run.

US Treasury advisors, through USAID financing, directed a number of programs at the Ministry of Finance designed to improve the implementation of a progressive tax regime, thereby assisting to create a better local investment climate. Positive strides were taken in developing programs to broaden tax collection capabilities, by increasing tax filing responses. Advisors also contributed significantly to long-term debt management, with record, and unprecedented, Eurobond offerings of seven and ten years successfully introduced to the world capital markets.

Targeted assistance was provided to APAPS to market ten Romanian state-owned companies to international companies. The purpose of this innovative technical assistance program, utilizing senior retired American executives from IESC, was to assist the GOR in its efforts to undertake the privatization process for an initial select pool of twenty seven state-owned companies, with the desired effect of reducing the burden on the GOR budget. Areas of assistance included professional consultations, on-site evaluations, assessments, technology transfer facilitation and written analysis of each company. The project is on-going and presently a vigorous marketing campaign is being conducted in the United States (via the Global Technology Network database and the Department of Commerce's CEEBICnet).

A USAID-supported initiative, launched during FY 2001, focuses closely on GOR's stated core priority of reforming the financial markets in Romania. This crosscutting initiative affects a spectrum of the capital

markets sector. Host beneficiaries include the CNVM (Romania's equivalent to the US Security Exchange Commission), the two main stock exchanges, professional associations, as well as the Ministry of Finance. The assistance supports the long-term sustainable development of capital markets in Romania, including but not limited to, reducing corruption, improving corporate governance, improving market transparency, providing training for judicial system participants who must enforce capital market regulations and supplying technical assistance for the introduction of new financial instruments.

There were a multiplicity of direct and indirect targeted beneficiaries of the strategic objective efforts. Among the most notable direct beneficiaries of USAID intervention were banks and financial institutions, including the National Bank of Romania, where specific supervisory practices were institutionalized. Coverage reached 100%. Indirect beneficiaries reached to the broad depositor base of the banking sector. USAID assistance also directly impacted the GOR privatization agency APAPS, and through on-site work, twenty-seven state-owned firms, whose thousands of workers benefited indirectly from USAID-led work which may culminate in successful privatization, and thereby preserving jobs and security. Additionally, the top 90% of all insurance companies were direct beneficiaries of sustained USAID training programs, and by way of improving insurance policy writing and practices, millions of Romanian insurance policy holders may be counted among the indirect beneficiaries.

### **SO 186-0150 A More Economically Sustainable and Environmentally Sound Energy**

This SO met planned targets during the reporting year. USAID supported two sectors, electricity and gas, in niche areas that increase the probability of success for large donor programs. Activities achieved solid results by creating models for energy efficiency to ameliorate budgetary pressures on the GOR and municipalities. USAID-funded activities have advanced results that included producing key regulations, codes and procedures, and improved energy efficiency practices, in addition to improved linkages with the Stability Pact and SECI initiatives.

#### Achievements

Through USAID's programs, both Agencies' role in the sectors increased and they have proved their capability to issue license and tariff methodologies in a transparent manner. This process is critical to leveling the playing field, increasing the information flow and assuring equity for private investors. The process of devolving the former power monopoly to municipalities and other autonomous entities, and the unbundling of the power sector's specific chain of activities (generation, transmission, distribution and supply) are intermediary steps to introduce competition and open doors for private investment. Without the decentralization, private investment would be unlikely. As an indicator of the openness of both markets, the share of electricity and gas eligible consumers increased during 2001, exceeding the planned figures, and creating conditions for investment opportunities. The independence and capability of the new power regulatory body to issue secondary legislation for the electricity market and of the similar body for gas sector are essential for opening the market and through our program, both Agencies' position in the sector have been essentially strengthened.

Energy efficiency activities helped Romanian companies develop energy efficiency measures, which resulted in proved savings of approximately \$15 million, compared to \$10 million planned. USAID program selected a number of bankable projects for the Romanian cities district heating systems rehabilitation and provided pre-feasibility studies for 5 of these localities, including 2 studies made through the regional energy efficiency program. The selected projects are under EBRD consideration for finance (Oradea loan agreement will be hopefully finished in the next 3 months, followed by Constanta project) or attracted private investors interested in developing vendor credits schemes (Medgidia and Slobozia are under Siemens and Betour scrutiny to use specific financing schemes).

Support through the Utility Partnership program, which included an agreement between the Main Public Utilities Commission and the National Regulatory Agency for Energy, has continued in 2001. The exchanges of information and workshops organized through this program and the regional Energy Development Institute's activities helped shape the Romanian power sector's efforts to restructure and

commercialize its activities and supported the GOR to restructure the national utilities for a targeted accelerated privatization.

Direct beneficiaries of energy USAID activities are the Ministry of Industry and Resources, the Ministry of Public Finance, national and local utilities, and municipalities. Indirect beneficiaries are Romanian population and businesses that use an energy sector more competitive and with a better safety of power and gas supply.

#### **SO 186-0160: Increased Environmental Management Capacity to Promote Sustainable Economic Growth**

The latest estimates of investments in the Romanian environmental sector necessary to meet the environmental standards required for EU membership approximate \$22 billion. Approximately 80 to 85 percent of these investments are in the water sub-sector. However, the issue is not one of funding alone. The consistent and competent environmental management of private sector businesses and municipal utilities is equally as important as the initial investment itself. This has been dramatically demonstrated by environmental accidents that occurred in 2000 and 2001. Serious environmental problems resulted from Romania's weak administrative capacity to protect the water sector.

Considerable progress was achieved under this strategic objective. Performance is rated as meeting expectations. USAID technical assistance and training has built both public and private management capacities to address critical constraints to sustainable development and facilitated urgently needed environmental investments. Environmental improvements are directly linked to the sustainability of economic development, provide for the rational management of natural resources and energy, and directly benefit the health of local populations.

#### Achievements:

USAID's environmental technical assistance is an excellent model of leveraging World Bank, EU ISPA and EBRD resources to improve local water management systems and implement pollution prevention. These sources will provide hundreds of million dollars per year in additional grants and loans to build and strengthen environmental infrastructure over the next 6 years.

Through USAID supported technical assistance, training and equipment, the Global Environmental Facility (GEF) activity helped local governmental environmental inspectorates and industries in managing environmental information and improving the quality of the Cris rivers. The Program involved support of capital and operational improvements to specific wastewater discharge sources, such as the city of Oradea waste water treatment plant. These activities are resulting in cleaner production and reduction of transboundary pollution in the Danube River Basin.

The regional USAID funded ECOLINKS activity built the capacity of businesses and municipalities to develop market-based solutions to urban and industrial problems. Over the past fiscal year 18 Challenge Grants (amounting to \$750,000, and leveraging additional \$350,000 contribution from private and local Government beneficiaries) were issued in Romania for implementation of projects in waste management, cleaner production, and energy efficiency areas. By using water, energy and other input resources more efficiently, businesses and municipalities can both save money and improve the environment.

Also, under USAID's Stability Pact effort, the Regional Infrastructure Program (RIP), technical assistance and training have been provided to Romanian municipalities and water companies in preparing engineering and financial analyses needed to secure loans and grants for water and wastewater projects. RIP technical assistance leveraged EURO59 million from the Instrument for Structural and Policy Pre-Accession (ISPA) water infrastructure project in the municipality of Braila. The investment will be used for the construction and extension of Braila's waste water treatment plant and the sewerage system. The plant will have major benefits for the local population, reducing the incidence of water-inflicted infectious diseases and the pollution discharged in the Danube river.

As a result of cooperation between USAID and the Ministry of Waters and Environmental Protection, Emergency Ordinance 93/2001, for establishment of the Environmental Fund, and Government Decision 1174/2001, for setting up its structure and operation, were adopted. Resources collected through the Fund will be used to implement critical projects listed in the National Environmental Action Plan and the Government's mid-term strategy on environment. These governmental orders, as well as other regulations that have been developed with USAID support, are essential to Romania's candidacy to the EU.

Direct beneficiaries are the Ministry of Water and Environment Protection, Ministry of Public Finance, local environmental inspectorates and municipalities and state and private industries, and environmental businesses. Indirect beneficiaries are the population located in Romania and in neighboring countries.

### **SO 186-0210 Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making Through Pluralistic Mechanisms.**

USAID democracy programs increase citizens' involvement in the decision-making process by strengthening venues for public participation (non-governmental organizations, labor unions, political parties, and media) and by improving the effectiveness and accountability of government institutions (parliament, the executive, and the judiciary). The programs also improve the environment in which citizens interact with the state, by fighting corruption and addressing regional stability. This Strategic Objective met its targets.

#### Achievements

USAID/Romania continued to promote the development of a politically active civil society through assistance to non-governmental organizations (NGOs), political parties, labor unions, and independent media. Through U.S.-Romanian partnerships working at the local level, USAID/Romania began to develop new models of citizen participation. USAID strengthened Romanian civil society while catalyzing regional development by assisting cross-border partnerships linking Romanian and Serbian NGOs. USAID achievements in the area of legal reform included the mobilization of advocacy groups to promote the passage of a freedom of information act (FOIA), as well as collaborative work by NGOs with the Romanian Government in developing anti-trafficking legislation. Both measures were approved in Parliament, just after the reporting period, in October 2001.

A FOIA working group promoted passage of a new law by engaging in common advocacy activities before Parliament and with relevant ministries. The FOIA initiative engaged private sector implementers (i.e. University of Maryland's Center for Institutional Reform and the Informal Sector-IRIS) with democracy sector grantees (IREX and the International Republican Institute-IRI). USAID assistance also helped Romanian NGOs engage with Serbian NGOs and both countries' justice and law enforcement authorities, to develop more effective anti-trafficking legislation to counter the increase in human trafficking between the two countries.

Civil society assistance supported partnership activities between (1) US and Romanian NGOs, through the Romanian-American Sustainable Partnerships (RASP) umbrella grant program, implemented by World Learning, and (2) between Romanian and Serbian NGOs, through the Regional Partnership for Democracy (RPD) program, implemented by the America's Development Foundation. RASP focused on community-based activities, establishing mechanisms at the local level to mobilize citizens behind community development teams, citizen advisory boards, and volunteer initiatives. Cooperation between NGOs and local authorities has been strengthened while improving the institutional capacity, RASP complemented USAID activities in all strategic areas through cross-cutting impacts. For example, seven partnerships resulted in the development of alternative community services for disadvantaged groups in seven communities, creating thus significant synergies with SO 3.2. The 17 partnerships leveraged \$ 1.8 million from US private sources, as well as Romanian NGO and local government resources. Through the



24 RPD partnerships, Romanian NGOs assisted Serbian organizations to promote and strengthen democratic processes across the border. The RPD program contributed to increased regional stability, and leveraged \$ 335, 000 in-kind contributions from the Romanian NGOs.

To strengthen the rule of law and encourage more transparent and accountable government institutions, USAID/Romania continued support for a pilot court modernization project in Bucharest through ABA/CEELI. By the end of FY 2001, streamlined procedures had been developed. To help reduce the backlog of civil court cases, USAID promoted the use of alternative dispute resolution (ADR) techniques. A core group of mediators and a Mediators' Association have been established. In cooperation with the American Center for International Labor solidarity (ACILS), ABA/CEELI developed local labor mediation and negotiation capabilities. USAID also assisted the Ministry of Justice and the Superior Council of Magistracy develop an ethics code for judges and prosecutors, adopted in September 2001.

USAID/Romania contributed to strengthening the political process through the National Democratic Institute, training young party activists to help party organizations improve internal processes, adopt modern political practices, and become meaningful vehicles for citizen participation. Training and technical assistance helped young political leaders acquire new skills and improve their proficiency in areas such as election strategy and management, voter contact and field operations, and communication. Consequently, twelve trainees were appointed to election management positions for the 2000 election, while four program participants were elected to public office (including parliament) and three were promoted to senior positions in the Romanian presidential administration. Furthermore, 20 of the 47 U.S. training participants were promoted to senior positions within their specific parties.

The beneficiaries of USAID assistance under SO 2.1 are Romanian NGOs, political parties, labor unions, and courts. Improved capacity and effectiveness of all these organizations ultimately benefit the Romanian citizens.

### **SO 186-0230 More Effective, Responsive and Accountable Local Government**

Program activities during the fiscal year 2001 in budget and public finance, association development, municipal credit, economic development, and citizen participation have contributed to the accomplishment of this SO and its respective Intermediate Results. Program activities and technical assistance contributed to enhanced capacity of Local Government Units (LGUs) to plan and prioritize capital expenditures, improve revenue collection procedures, and engage citizens in participatory activities. Performance under this Strategic Objective met its targets for the year.

#### **Achievements**

In the early days of the new administration elected in late 2000, uncertainty existed regarding its support for decentralization and the deepening of democratic governance. Having recognized this potential constraint, USAID's local government assistance program, implemented by Research Triangle Institute, moved quickly to engage GOR representatives in program activities including active participation in municipal credit roundtables, development of an alliance between the Ministry of Public Administration and local government associations, and encouraging reform initiatives supported at the local level to the central government. As a result, closer cooperation occurred between the central government and local governing entities as the fiscal year progressed.

Key achievements were realized in association development and in the municipal credit components of the local government assistance program. Local councils approved local economic development strategic plans in three major municipalities.

Local government's capacity to influence legislation impacting local autonomy strengthened. The Local Government program assisted in the creation of an organization framework that enables local governments to have a unified voice before the national government and parliament. This was accomplished through the formation of the Federation of Local Romanian Authorities. The position of the

Federation and its national associations members was strengthened by the passage of Article 8 of the Law on Public Administration (Law 215/01), which requires the central government to consult with local government associations on all national legislation that impacts local government. Further, nine professional associations began to realize their potential, by participating with the Federation in policy dialog, organizing training programs for members and in several cases, establishing strategic partnerships with similar U.S. and regional associations.

Based on a municipal credit policy assessment, many key recommendations were implemented through legislative and regulatory initiatives, including authorization for local governments to establish independent commercial banking relationships. As a result of successful lobbying by the national associations, these recommendations were supported by the Ministry of Public Administration and included in its strategy for the acceleration of public administration reform. For the first time, a local government municipal bond was successfully offered publicly, approved by the Securities Commission and registered on the Bucharest Stock Exchange. The bond was issued with a sub-sovereign guarantee. The face value of this initial bond offering was approximately twice the amount of USAID's investment in the local program municipal credit component. The process of issuing the bond through the institutional, regulatory and legal framework, has significantly contributed to the resolution of and clarification of associated legal issues. This program result will contribute to the expansion of the municipal bond market.

The immediate beneficiaries of USAID's program assistance were all national and professional associations of local governments, and certain targeted units of local government, thus contributing to more effective, responsive accountable local government.

### **SO 186-0320 Improved Welfare of Women and Children**

This Strategic Objective addresses the availability of basic child welfare and health services by developing community-based, client-oriented services that are better and more accessible than costly institutional alternatives. It is designed to combat the legacy of the communist pro-natalist policies, which included abandonment of children, unsafe abortion, high maternal mortality from abortion, and high infant mortality. USAID's strategy promotes improved policies, quality decision making and combating corruption, while developing model programs and a continuum of services, establishing standards of practice, increasing human capacity, and enhancing nationwide monitoring systems. Performance under this strategic objective met expectations over the past fiscal year.

#### Achievements

During fiscal year 2001, the Government of Romania issued more coherent strategies for health and child welfare, including a draft strategy for reproductive health that focuses on primary care, rather than limiting reproductive health services to a small network of special clinics. Several USAID pilot activities, which involved policy makers at the highest levels, laid the groundwork for these unprecedented changes. In child welfare, there is consensus among donors and the GOR regarding the need to replace large institutions with less costly community-based services, which are being used by vulnerable populations in ever greater numbers. In health reform, with USAID-funded assistance, Romania made a bold decision to proceed with a new, more transparent mechanism to control disproportionate health care expenditures in hospitals, in order to shift expenditures to primary care.

The child welfare activity remained on track in its last year of focusing on three target counties in order to decrease the use of institutions and increase access to alternative community services. In September 2001, the National Authority for the Protection of Children and Adoption (NAPCA) reported approximately 46,000 children residing in large state institutions, a significant decrease from the 170,000 reported in 1990. As well, in September, approximately 58,000 children were receiving community or adoption services. This positive evolution was achieved despite the transfer of 30,000 disabled children from other ministries to the NACPA in August 2001. In the target counties, a total of 6,600 families benefited from prevention and community-based services: 377 children were reintegrated with their families, 3739 in substitute family care, 388 were adopted by Romanian families and 2104 were prevented from entering

institutions. According to an independent evaluation of child welfare in Romania, the rates of abandonment for children 0-2 years of age in USAID-targeted counties are consistently up 43 percent lower than average rates in seven other counties.<sup>1</sup>

Pilot activities are being sustained through incorporation into the strategies and budgets of local authorities. Of the activities initiated by USAID-funded implementers (including World Vision, Bethany Christian Social Services, and Holt International) 25 percent of services have been transferred, another 40 percent are currently co-financed by USAID and local authorities, and there are firm agreements to transfer all or part of the remaining services into public structures. In the child welfare field, USAID trained approximately 3,700 individuals. Support for the decentralization process in child welfare services was provided by training 351 primary health-care providers, 210 mayors and approximately 275 rural social workers. Mayors have increased responsibility under current legislation, but are unaware of alternatives or ways of supporting families. Training developed by USAID was lauded by participants, adopted by UNICEF, and requested by the NACPA as a priority for future training. As well, USAID convened two task forces to develop service standards for adoption and life skills which are near completion.

In health, USAID funded local NGOs to train physicians and nurses in family planning, pre- and post-natal care, breast and cervical cancer, HIV/AIDS, and health management. John Snow, Inc. provided technical assistance to 40 "model service delivery sites" and linked them with referral services, outreach, and distribution of commodities to respond to the reproductive health needs of the population, especially poor rural women. Some of the models developed used a rural "group practice without walls" approach, laying out a template of the vision for reproductive health service delivery in the future. An innovative AIHA healthy communities' model was implemented in Constanta which focused heightened attention on improving services for domestic violence victims, as well as increasing prevention and detection of sexually transmitted diseases.

Without financial incentives for primary care physicians to provide these new services, it was critical to find ways to help reallocate extremely limited health care resources. The U.S. Department of Health and Human Services, with USAID funding, initiated a successful pilot program to develop a more transparent and accountable financing system in 24 hospitals in order to help reduce waste, inefficiency, and corruption. This case-based management system will be spread to other acute hospitals over the next two years. It will drive a shift in services to a less costly environment, especially focusing on prevention and primary care—including reproductive health—and provide a basis for more sound allocation of resources. The lack of systems providing accurate data through which quality of services can be measured continues to plague progress in the social sector. Lack of transparent data systems has contributed to corruption in the area of adoption, a major area of USAID involvement.

Health and child welfare benefit from strong donor collaboration initiated by USAID. In child welfare, major donor groups united to provide draft adoption legislation for the NACPA with the goal of minimizing the potential for corruption. Coordination of large donors, including the IFIs, has had a significant impact on child welfare resulting in a unitary plan for providing technical assistance and policy development to the GOR. ProChild, a newly formed federation of approximately 100 small NGOs largely funded by private U.S. organizations, is exploring programs for local fundraising and advocacy to add to its excellent education and communication functions. ProChild, funded by USAID, is becoming an important coordinating body, much needed in child welfare.

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<sup>1</sup> Greenwell, K. Fern. 2001. *Child Welfare Reform in Romania: Abandonment and De-institutionalization 1987–2000*. Unpublished.

USAID/ Romania

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
<b>Pillar I: Global Development Alliance: GDA serves as a catalyst to mobilize the ideas, efforts, and resources of the public sector, corporate America and non-governmental organizations in support of shared objectives</b>						
1	Did your operating unit achieve a significant result working in alliance with the public sector or NGOs?	Yes	No x	N/A		
2	a. How many alliances did you implement in 2001? (list partners)  b. How many alliances do you plan to implement in FY 2002?	1 (Shore Bank Advisory Services--Financial Opportunities for SMEs program)  2			AEEB  AEEB	This is not a GDA activity per se as it is not funded out of GDA funds. It is rather a GDY-type of activity  same as above
3	What amount of funds has been leveraged by the alliances in relationship to USAID's contribution?	2 to 1			AEEB	
<b>Pillar II: Economic Growth, Agriculture and Trade: USAID works to improve country economic performance using five approaches: (1) liberalizing markets, (2) improving agriculture, (3) supporting microenterprise, (4) ensuring primary education, and (5) protecting the environment and improving energy efficiency.</b>						
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0130 Development and Growth of Private Enterprises</b>	Exceed	Met x	Not Met	AEEB (ends FY02)	
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0140: A More Competitive and Market-responsive Financial Sector</b>	Exceed	Met x	Not Met	AEEB (ends FY03)	
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0150 A More Economically Sustainable and Environmentally Sound Energy</b>	Exceed	Met x	Not Met	AEEB (ends FY02)	
4	If you have a Strategic Objective or Objectives linked to the EGAT pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0160: Increased Environmental Management Capacity to Promote Sustainable Economic Growth</b>	Exceed	Met x	Not Met	AEEB (ends FY02)	
<b>USAID Objective 1: Critical, private markets expanded and strengthened</b>						

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
5	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
USAID Objective 2: More rapid and enhanced agricultural development and food security encouraged						
6	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A		
USAID Objective 3: Access to economic opportunity for the rural and urban poor expanded and made more equitable						
7	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
USAID Objective 4: Access to quality basic education for under-served populations, especially for girls and women, expanded						
8	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
9	a. Number of children enrolled in primary schools affected by USAID basic education programs (2001 actual)  b. Number of children enrolled in primary schools affected by USAID basic education programs (2002 target)	Male	Female	Total		
USAID Objective 5: World's environment protected						
10	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
11	a. Hectares under Approved Management Plans (2001 actual)  b. Hectares under Approved Management Plans (2002 target)					

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Pillar III: Global Health: USAID works to: (1) stabilize population, (2) improve child health, (3) improve maternal health, (4) address the HIV/AIDS epidemic, and (5) reduce the threat of other infectious diseases.						
12	If you have a Strategic Objective or Objectives linked to the Global Health pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0320 Improved Welfare of Women and Children</b>	Exceed	Met x	Not Met	AEEB (ends FY02)	
USAID Objective 1: Reducing the number of unintended pregnancies						
13	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
USAID Objective 2: Reducing infant and child mortality						
14	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A		
USAID Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth						
15	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
USAID Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries						
16	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A		
USAID Objective 5: Reducing the threat of infectious diseases of major public health importance						
17	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A		

Indicator (all data should pertain to FY or CY 01)		OU Response			Fund Account	Data Quality Factors
Pillar IV: Democracy, Conflict and Humanitarian Assistance						
18	If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0210 Increased, Better-Informed Citizens' Participation in Political and Economic Decision-Making through Pluralistic Mechanisms.</b>	Exceed	Met x	Not Met	AEEB (ends FY03)	
18	If you have a Strategic Objective or Objectives linked to the Democracy, Conflict and Humanitarian Assistance Pillar, did it/they exceed, meet, or not meet its/their targets? <b>186-0230 More Effective, Responsive and Accountable Local Government</b>	Exceed	Met x	Not Met	AEEB (ends FY02)	
USAID Objective 1: Rule of law and respect for human rights of women as well as men strengthened						
19	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
USAID Objective 2: Credible and competitive political processes encouraged						
20	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No x	N/A		
USAID Objective 3: The development of politically active civil society promoted						
21	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
USAID Objective 4: More transparent and accountable government institutions encouraged						
22	Did your program achieve a significant result in the past year that is likely to contribute to this objective?	Yes x	No	N/A		
USAID Objective 5: Conflict						
23	Did your program in a pre-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
24	Did your program in a post-conflict situation achieve a significant result in the past year that is likely to contribute to this objective?	Yes	No	N/A x		
25	Number of refugees and internally displaced persons assisted by USAID	Male	Female	Total		
USAID Objective 6: Humanitarian assistance following natural or other disasters						

Indicator (all data should pertain to FY or CY 01)	OU Response	Fund Account	Data Quality Factors
<b>26</b> Did your program achieve a significant result in the past year that is likely to contribute to this objective?	<div>Yes</div> <div>No x</div> <div>N/A</div>		
<b>27</b> Number of beneficiaries	8000 persons		



**Table 2: Selected Performance Measures for Other Reporting Purposes**

The information in this table will be used to provide data for standard USAID reporting requirements

**USAID/ Romania**

Indicator (all data should pertain to FY or CY 01)		OU Response		Fund Account	Data Quality Factors
Child Survival Report					
Global Health Objective 1: Reducing the number of unintended pregnancies					
1	Percentage of in-union women age 15-49 using, or whose partner is using, a modern method of contraception at the time of the survey. (DHS/RHS) <u>The indicator used is a proxy indicator: Number of Abortions per 1,000 women of reproductive age (15-45)</u>	51.5/ 1,000 reported by RNCHS 77.3/ 1,000 is the adjusted number (see data quality column)		AEEB	In the years where national survey data on use of modern contraception is not available, abortions per 1,000 can be used as a proxy for use of modern contraceptives. For FY 2000 and 2001, Mission is using this proxy as no survey is going to be performed on the use of modern contraception. The abortion data must be interpreted with care. While the source is official data from the Romanian National Center for Health Statistics (RNCHS), it does not include all abortions. Some, although less than 1%, abortions continue to be performed in unsafe, non-clinic environments and thus, are not reported in the national statistics. Also, since 1995, more private clinics providing abortion services have opened, this data is not reported in the official statistics. The 1999 National Reproductive Health Survey indicated that approximately 1/3 of abortions are now done in private clinics. If the RNCHS data is adjusted to include estimated private services, the present abortion rate is approximately 77.3/1,000. Using this estimate instead of the official statistics, the estimated reduction in induced abortions since
Global Health Objective 2: Reducing infant and child mortality					
2	Percentage of children age 12 months or less who have received their third dose of DPT (DHS/RHS)	Male	Female	Total	
3	Percentage of children age 6-59 months who had a case of diarrhea in the last two weeks and received ORT (DHS/RHS)	Male	Female	Total	
4	Percentage of children age 6-59 months receiving a vitamin A supplement during the last six months (DHS/RHS)	Male	Female	Total	
5	Were there any confirmed cases of wild-strain polio transmission in your country?				

<b>Global Health Objective 3: Reducing deaths and adverse health outcomes to women as a result of pregnancy and childbirth</b>					
6	Percentage of births attended by medically-trained personnel (DHS/RHS)				
<b>Global Health Objective 5: Reducing the threat of infectious diseases of major public health importance</b>					
7	a. Number of insecticide impregnated bed-nets sold (Malaria) (2001 actual) b. Number of insecticide impregnated bed-nets sold (Malaria) (2002 target)				
8	Proportion of districts implementing the DOTS Tuberculosis strategy				
<b>HIV/AIDS Report</b>					
<b>Global Health Objective 4: Reducing the HIV transmission rate and the impact of HIV/AIDS pandemic in developing countries</b>					
9	a. Total condom sales (2001 actual) b. Total condom sales (2002 target)				
10	a. Number of individuals treated in STI programs (2001 actual) b. Number of individuals treated in STI programs (2002 target)	Male	Female	Total	
11	Is your operating unit supporting an MTCT program?				
12	a. Number of individuals reached by community and home based care programs (2001 actual) b. Number of individuals reached by community and home based care programs (2002 target)	Male	Female	Total	
13	a. Number of orphans and vulnerable children reached (2001 actual) b. Number of orphans and vulnerable children reached (2002 target)	Male	Female	Total	
14	a. Number of individuals reached by antiretroviral (ARV) treatment programs (2001 actual) b. Number of individuals reached by antiretroviral (ARV) treatment programs (2002 target)	Male	Female	Total	

Victims of Torture Report						
Democracy, Conflict, and Humanitarian Assistance Objective 7: Providing support to victims of torture						
15	Did you provide support to torture survivors this year, even as part of a larger effort?					
16	Number of beneficiaries (adults age 15 and over)	Male	Female	Total		
17	Number of beneficiaries (children under age 15)	Male	Female	Total		

Global Climate Change			
USAID Objective 5: World's environment protected			
18	Global Climate Change: See GCC Appendix		

## **Annual Report Part VI: Environmental Impact**

In year 2001, the Mission launched new procurement for technical assistance and training activities which did not pose any impact on environment. At the same time, USAID refined its environmental evaluation procedures to assure early technical input into programs by the Bureau Environmental Officer (BEO) for the Bureau for Europe and Eurasia (E&E) and the Mission Environmental Officer.

Each technical office in the Mission was required, as part of its procurement responsibilities, to include an initial environmental evaluation (IEE) along with its design package for any new activity which was sent forth for Agency Management approval. Incremental funding of existing programs that had already been screened for possible environmental impact did not include an IEE. The environmental evaluation was undertaken according to the provisions of 22 CFR 216, relating to USAID Environmental Procedures Environmental Procedures.

The Program Office was responsible to determine if the IEE requirement had been met and what the preliminary findings and recommendations of the technical office were with respect to the potential for an environmental impact. The Mission Environmental Officer was available to consult directly with the technical program offices or the Program Office on meeting the environmental impact requirements. Such consultation included assisting in identifying possible areas for environmental concern, options to mitigate or eliminate such concern, and the potential applicability of any categorical exclusion from the environmental requirements. The Environmental Officer also assisted the technical offices in the preparation of IEE statements. During the project design phase, the project environmental analysis was cleared by the BEO and approved by the Mission Director.

In FY2001, the Mission's initial environmental assessments had all concluded that a categorical exclusion was appropriate because they involved only technical assistance and training activities.

During the past fiscal year USAID/Romania undertook a Biodiversity Assessment, which included an analysis of 1) actions necessary in Romania to conserve its biological diversity and 2) to what extent USAID-funded programs impact on country's biodiversity. The Biological Assessment was developed according to policies and procedures established in the Bureau and appropriate compliance documentation approved by the BEO and was performed by a Romanian NGO lead by a Resource Management Specialist from E&E/EEST. The Assessment included specific recommendations for future activities to be performed in Romania.

In year 2002, the Mission will launch new procurement for technical assistance and training activities which will not pose any impact on environment. Should other types of activities need to be developed, the Mission will be undertake close review, to minimize any potential for impact or the need to adjust program designs to comply with the 22 CFR 216 requirements.